

CHAPTER I

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) on Government of Tamil Nadu relates to matters arising from Performance Audit of selected programmes and activities and Compliance Audit of Government departments and Autonomous Bodies.

The primary purpose of the Report is to bring to the notice of the State Legislature important results of audit. Auditing standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit findings are expected to enable the executive to take corrective actions as also to frame appropriate policies and directives that will lead to improved financial management of the organisations, thus contributing to better governance.

Compliance Audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of the Constitution of India, applicable rules, laws, regulations and various orders and instructions issued by the competent authorities are being complied with.

Performance Audit examines the extent to which the objectives of an organisation, programme or scheme have been achieved economically, efficiently and effectively.

This chapter provides the profile of audited entities, the planning and extent of audit and synopsis of the audit observations. Chapter II of this Report deals with the findings of Performance Audits and Chapter III deals with the findings of Compliance Audit of various departments and Autonomous Bodies.

1.2 Profile of Audited Entities

There are 37 departments in the State at the Secretariat level, headed by Principal Secretaries/Secretaries who are assisted by Commissioners/Directors and Subordinate officers. Of these, 23 departments including 13 Public Sector Undertakings and 2,386 Autonomous Bodies/Local Bodies coming under these departments are under audit jurisdiction of the Principal Accountant General (General and Social Sector Audit).

Abbreviations used in this report are listed in the Glossary at Page 124

The comparative position of expenditure incurred by the Government during the year 2012-13 and in the preceding two years is given in **Table 1.1**.

Table 1.1: Comparative position of expenditure

(₹ in crore)

Disbursements	2010-11			2011-12			2012-13		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
Revenue expenditure	14,267	58,649	72,916	17,576	66,262	83,838	23,384	73,683	97,067
General services	28	25,896	25,924	52	28,889	28,941	36	31,616	31,652
Social services	11,258	17,651	28,909	13,728	19,534	33,262	19,288	19,335	38,623
Economic services	2,473	9,749	12,222	3,172	10,970	14,142	3,277	14,351	17,628
Grants-in-aid and contributions	508	5,353	5,861	624	6,869	7,493	783	8,381	9,164
Capital Expenditure	12,219	217	12,436	16,216	120	16,336	14,351	217	14,568
<i>Loans and advances disbursed</i>	<i>292</i>	<i>1,960</i>	<i>2,252</i>	<i>338</i>	<i>5,145</i>	<i>5,483</i>	<i>170</i>	<i>4,599</i>	<i>4,769</i>
<i>Repayment of public debt (including transactions under ways and means advances)</i>	<i>*</i>	<i>*</i>	<i>3,297</i>	<i>*</i>	<i>*</i>	<i>3,830</i>	<i>*</i>	<i>*</i>	<i>5,015</i>
<i>Contingency fund</i>	<i>*</i>	<i>*</i>	<i>30</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
<i>Public account disbursements</i>	<i>*</i>	<i>*</i>	<i>1,04,959</i>	<i>*</i>	<i>*</i>	<i>1,20,953</i>	<i>*</i>	<i>*</i>	<i>1,33,101</i>
Total			1,95,890			2,30,440			2,54,520

* Plan and non-plan bifurcation is not applicable
(Source: Finance Accounts for the respective years)

1.3 Authority for Audit

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971. The C&AG conducts audit of expenditure of the departments of Government of Tamil Nadu under section 13¹ of the C&AG's (DPC) Act, 1971. The C&AG is the sole auditor in respect of 33 Autonomous Bodies which are audited under Sections 19(2)², 19(3)³ and 20(1)⁴ of the said Act. Audit of Government companies is also conducted under Section 19(1) of the DPC Act. In addition,

¹ Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and the Public Account and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts.

² Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.

³ Audit of the accounts of Corporations (not being Companies) established by or under law made by the State Legislature at the request of the Governor.

⁴ Audit of accounts of any body or authority on the request of the Governor on such terms and conditions as may be agreed upon between the C&AG and the Government.

the C&AG conducts, under Section 14⁵ of the Act, audit of other Autonomous Bodies which are substantially funded by the State Government. The C&AG also provides Technical Guidance and Support to the Local Fund Audit for audit of Local Bodies. The principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts 2007 issued by the C&AG.

1.4 Planning and conduct of audit

Audit process starts with the risk assessment of the department/organisation as a whole and that of each unit based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of internal controls, concerns of stakeholders and the likely impact of such risks. Previous audit findings are also considered in this exercise. Based on this risk assessment the frequency and extent of audit are decided. An Annual Audit Plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of units, Inspection Reports (IRs) containing audit findings are issued to the Heads of the audited entities. The entities are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations pointed out in these IRs are processed for inclusion in the Audit Reports which are submitted to the Governor of Tamil Nadu under Article 151 of the Constitution of India for being laid before the State Legislature.

1.5 Response to Audit

1.5.1 Draft Paragraphs and Performance Audits

Twelve Draft Paragraphs (DPs) and four draft Performance Audits (PAs) were forwarded demi-officially to Principal Secretaries/Secretaries of the Departments concerned between May and December 2013 with requests to send their responses within six weeks. Departmental replies for only seven out of twelve DPs were received. The replies, wherever received, have been suitably incorporated in the Report. In respect of draft PAs, Exit Conferences were held with representatives of the Government between November 2013 and February 2014. The Government reply in respect of only one PA 'Functioning of the Tamil Nadu Construction Workers' Welfare Board' was received. The Government reply and views expressed by the representatives of the Government during Exit Conferences were considered while finalising the Report.

⁵ Audit of (i) all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹ one crore.

1.5.2 Pending replies to Inspection Reports

A review of the IRs issued up to 30 September 2012 revealed that 15,370 paragraphs relating to 4,539 IRs remained outstanding at the end of March 2013 as detailed in **Appendix 1.1**.

Large pendency of IRs due to non-receipt of replies was indicative of the fact that heads of offices and heads of departments did not initiate appropriate and adequate action to rectify the defects, omissions and irregularities pointed out in the IRs.

1.6 Audit observations of Performance Audits

This Report contains four Performance Audits including one on Information Technology Audit. The focus has been on auditing the specific programmes/schemes and offering suitable recommendations with the intention to assist the Executive in taking corrective action and improving service delivery to the citizens. Significant audit observations are discussed below:

1.6.1 Functioning of the Tamil Nadu Construction Workers' Welfare Board

The Government of Tamil Nadu established (1994) Tamil Nadu Construction Workers' Welfare Board (Board) under the Tamil Nadu Manual Workers (Regulation of Employment and Conditions of Work) Act, 1982. Performance Audit of the Board was conducted to evaluate the functional efficiency in providing welfare measures to construction workers in the State. Significant audit findings are given below:

- The Board had no mechanism for identifying and registering all eligible workers and the migrant workers from other states were not registered by the Board.
- The Board did not have a duly constituted Governing Body from April 2011. The Chief Executive Officer of the Board exercised the powers, functions and duties of the Governing Body from April 2011 without authorisation by the Government.
- Out of funds of ₹ 687.08 crore available with the Board during 2008-13, it spent only ₹ 147.31 crore on provision of welfare measures to the construction workers.
- The Board's administrative expenditure was high and constituted 26 *per cent* of the total expenditure which was due to engagement of more staff on daily wage basis and operation of posts in excess of sanction.
- The Board had no mechanism in place to monitor collection/deduction of contribution and its remittance to the Board by Government agencies, autonomous bodies, local bodies and others. Only 10 to 12 *per cent* of the registered workers renewed their memberships.

- The schemes implemented by the Board and the quantum of assistance under each scheme were not attractive to registered workers compared to similar schemes implemented by other departments of the Government.
- In test check, cases of irregular or ineligible payments were noticed in providing various kinds of assistance to workers. Monitoring was ineffective and no internal audit system was in place in the Board.

(Paragraph 2.1)

1.6.2 Imparting Technical Education through Polytechnic Colleges

Polytechnic colleges offer three-year diploma courses in various branches of studies in engineering and technology. Students who passed X or XII standard and certificate holders from the industrial training institutes are eligible for admission to polytechnic colleges. The Directorate of Technical Education coordinates the development of technical education in the State. Performance Audit on Imparting Technical Education through Polytechnic Colleges brought out the following significant audit findings.

- Out of ₹ 241.60 crore provided for technical education during the Eleventh Plan period, only ₹ 14.78 crore (six *per cent*) was allotted for development of polytechnic colleges.
- The State Board of Technical Education and Training, set up to advise the Government on general programme as well as specific individual schemes necessary for bringing about co-ordinated development of technical education and training in the State was not reconstituted after November 2008.
- Grants released in excess to Government-aided polytechnic colleges were recovered after periods ranging from two to nine years from their release. Delays in release of GoI funds by GoTN were also noticed.
- Shortfall in admission of students in the Government polytechnic colleges ranged from 5 to 11 *per cent* and in the Government-aided polytechnic colleges from 6 to 15 *per cent*.
- There were shortages in infrastructure such as classrooms and laboratories in test-checked Government polytechnic colleges. Students were admitted in excess (74 *per cent* in boys' hostels and 94 *per cent* in girls' hostels) of the capacity of hostels.
- Vacancies in the teaching staff and non-teaching technical staff were noticed.
- Pass percentage of students in respect of Government polytechnic colleges decreased from 72 in 2008-11 batch to 47 in 2010-13 batch.

(Paragraph 2.2)

1.6.3 *Functioning of Bharathiar University*

Government of Tamil Nadu established (1982) Bharathiar University at Coimbatore under the Bharathiar University Act, 1981 with area of jurisdiction covering Coimbatore, Erode, the Nilgiris and Tiruppur districts. Main objectives of the University are to impart quality higher education to youth, to provide for research and dissemination of knowledge and to institute and confer degrees, titles, diplomas and other academic distinctions. Performance Audit on the functioning of the University brought out following significant audit findings.

- Popular under graduate/post-graduate courses, which are relevant to the needs of society, offered in the self-financing colleges were not offered by the University's constituent and affiliated Government colleges.
- In the School of Distance Education, academic staff for preparation of self instructional material was inadequate.
- Out of 135 research projects, 33 projects were in progress even after the stipulated date of completion with delays ranging from 5 to 36 months.
- An amount of ₹ 55.25 crore out of surplus in the School of Distance Education fund account was diverted to General Fund in excess of prescribed norms.
- Bank balances in fund accounts were not reviewed periodically to assess surplus funds for investment.
- In 17 out of 43 endowment accounts, interest earned was not utilised for giving awards or scholarships to the students.
- As against the capacity to accommodate 619 boys and 602 girls in the University hostels, number of boys and girls admitted annually during 2008-13 in these hostels were 868 and 1,020 respectively.

(Paragraph 2.3)

1.6.4 *Implementation of e-Governance Initiatives in Chennai Metropolitan Development Authority*

State Government introduced (2006) e-Governance system for regulatory functions of Chennai Metropolitan Development Authority (CMDA), objectives of which were to reduce time taken for according approval to Planning Permission Application (PPA), improve transparency in their day-to-day functions, better monitoring of the system and web-enabled interaction. Government also carried out Business Process Re-engineering to facilitate computerisation by introducing an improved electronic work flow including automating key component of checking building plans electronically. Performance Audit of implementation of e-Governance initiatives in CMDA revealed the following significant audit findings.

- There was no improvement in time taken for processing the PPA after introduction of e-Governance system and the time frame set in Citizen Charter was not adhered to. Breaks in the work flow led to adoption of batch process, which deprived public of the facility to verify status of their applications online. This defeated the objective of improving transparency in CMDA's day-to-day functions.
- Due to incomplete/partial implementation of e-Governance system, Automated Planning Permission Application Software (APPAS), the core software for online building plan scrutiny which was originally planned to be integrated with e-Governance system, was not integrated. The APPAS database also had deficiencies in its design.
- Even after spending ₹ 1.01 crore and six years after the introduction of e-Governance system, CMDA could not achieve planned objectives.

(Paragraph 2.4)

1.7 Audit observations of Compliance Audit

Audit observed several deficiencies in critical areas which had adverse impact on effective functioning of the Government Departments/Organisations. Key audit findings of compliance issues are as under:-

Functioning of Public Libraries

Local Library Authorities (LLAs) consisting of user groups and representatives of Local Bodies in the districts were not constituted by the Government. In absence of LLAs, District Library Officers discharged functions relating to planning and decision making. Collection of library cess, which is the main source of income for proper maintenance of libraries, was in arrears. The LLAs could not repay the staff cost to Government incurred initially from State funds. In 10 out of 32 districts in the State not even 10 *per cent* of literates in the districts have become members in the libraries. In the test-checked districts, library buildings were in dilapidated condition and infrastructural facilities like racks for stacking books and toilet facilities for readers and the staff were lacking. Huge vacancies in the posts of District Library Officer, Librarian, Record Clerk and Watchman were noticed.

(Paragraph 3.1)

Procurement and Utilisation of Medical Equipment

Deficiencies such as delays in processing and finalisation of tenders and award of contracts, avoidable expenditure due to delays, diversion of equipment procured, non-procurement of equipment included in the approved procurement plan etc., were noticed. Further, delays in installation due to non-availability of sites and non-utilisation of installed equipment delayed achievement of intended objectives of the Tamil Nadu Health Additional Financing Project in full.

(Paragraph 3.2)

Dr. Muthulakshmi Reddy Maternity Benefit Scheme

During the period 2011-13, an amount of ₹ 1,174.21 crore was spent by Government on providing cash assistance to poor pregnant women under the scheme. There were savings in budget provisions as physical targets were not fixed realistically. Thirty six *per cent* of beneficiaries who availed the first instalment opted for deliveries other than in Government Hospitals and hence had not availed subsequent instalments. Audit noticed delays ranging from 1 to 26 months in disbursement of cash assistance.

(Paragraph 3.3)

Temporary shelters constructed at a cost of ₹ 1.83 crore to accommodate slum families remained unoccupied for more than three years and were dismantled subsequently rendering the expenditure wasteful.

(Paragraph 3.4.1)

Failure of State Illness Assistance Society to furnish required documents to Government of India in time resulted in non-availing of GoI assistance of ₹ 12 crore and avoidable additional expenditure of ₹ 9.50 crore from State fund.

(Paragraph 3.5.1)

Failure of Executive Engineer, Technical Education Division, Madurai to prepare and adopt observed data for special item of work in the estimates inflated estimated cost of works and resulted in extra expenditure of ₹ 1.36 crore.

(Paragraph 3.5.2)

Failure of the Department to operate and maintain telemedicine facilities created at a cost of ₹ 2.29 crore resulted in idling of the equipment and instruments for more than three years

(Paragraph 3.6.1)

Procurement of machinery at a cost of ₹ 5.47 crore for setting up a laboratory by Anna University of Technology, Coimbatore without ensuring availability of space for installing them resulted in their non-installation for more than three years.

(Paragraph 3.6.2)

Despite release of ₹ 10.45 crore by Government of India for Strengthening of Fire and Emergency Services, financial sanctions for procurement of vehicles and equipment were accorded by Government of Tamil Nadu for ₹ 4.26 crore only as against the approved outlay of ₹ 13.06 crore resulting in non-achievement of objective of the scheme.

(Paragraph 3.6.3)

Non-sanction of posts of driver and helper and maintenance expenditure to operate mobile weighbridge testing units supplied free of cost by Government of India resulted in idling of three units costing ₹ 1.78 crore for two to three years.

(Paragraph 3.6.4)

Hill Area Development Programme funds of ₹ 68.40 crore remained unutilised and kept outside Government account besides incorrect reporting of expenditure.

(Paragraph 3.6.5)

Despite release of ₹ 1.45 crore to Bharathidasan University, Tiruchirapalli for development of Hill Area Resource Information System for the Nilgiris District, the system was not utilised due to lack of co-ordination between the Project Director, Hill Area Development Project and the University and proper monitoring.

(Paragraph 3.6.6)

1.8 Recommendations

This Report contains specific recommendations on a number of issues involving non-observance of the prescribed internal procedure and systems, compliance of which would help in promoting good governance and better oversight on implementation of departmental programmes and objectives at large. The State Government is requested to take cognizance of these recommendations and take appropriate action in a time bound manner.